

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MOSCOW

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E.O. 11652: N/A

TAGS: BDIS, UR

SUBJ: TRADE DISPUTE: PIONEER ENGINEERING & MANUFACTURING (PEM)
VS. STANKOIMPORT

1. PEM OF WARREN, MICHIGAN HAS INFORMED COMMERCE THAT THEY HAVE BEEN ADVISED BY SATRA THAT STANKOIMPORT WANTS TO FORMALLY CANCEL ITS CONTRACT 64/23070-422 WITH THE COMPANY. THE CONTRACT WAS SIGNED IN JUNE 1971 AND CALLED FOR PEM'S PRODUCTION OF THREE AXLE HOUSING STRAIGHTENING MACHINES. PEM SUBSEQUENTLY WENT INTO RECEIVERSHIP UNDER THE BANKRUPTCY ACT. SUBSEQUENT TO THE RECEIVERSHIP A PROTOCOL WAS CONCLUDED BETWEEN PEM AND STANKOIMPORT WHICH CALLED FOR A POSTPONEMENT IN DELIVERY OF THE EQUIPMENT UNTIL MARCH 1973. THIS PROTOCOL WAS CONCLUDED ON AUGUST 8, 1972.

2. THE PROTOCOL INCLUDED A PROVISION FOR PRICE RENEGOTIATION BY SEPTEMBER 1972, BUT STANKOIMPORT DID NOT ISSUE INVITATION FOR PEM VISIT UNTIL JANUARY 1973. BY THEN, PEM HAD ALREADY COMPLETED 50 PERCENT OF WORK ON THE EQUIPMENT. THE JANUARY NEGOTIATIONS ON PRICE INCREASES WERE UNSUCCESSFUL AND THE

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COMPANY STOPPED WORK ON THE EQUIPMENT ON THE ADVICE OF ITS

LEGAL COUNSEL. PEM PREPARED RESUME WORK ON CONTRACT BUT EMPHASIZES THAT COSTS HAVE RISEN SUBSTANTIALLY AND PRICE WOULD HAVE TO BE RENEGOTIATED. IN ADDITION, SHORT SUPPLY SITUATION FOR CERTAIN COMPONENTS WOULD MEAN SUBSTANTIAL DELIVERY DELAY FOR THREE MACHINES.

3. WOULD APPRECIATE EMBASSY REVIEWING SITUATION WITH STANKOIMPORT WITHOUT FORMAL REPRESENTATIONS IN ORDER TO OBTAIN CLEARER PICTURE OF THAT FTO'S POSITION. KISSINGER

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